

Message Text

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11

ACTION NEA-16

INFO OCT-01 ISO-00 EB-11 RSC-01 DRC-01 /030 W

----- 054334

R 170403Z MAY 74

FM AMEMBASSY DACCA

TO ESSO EAST

HOUSTON

TELEX 76-2171

INFO SECSTATE WASHDC 3066

LIMITED OFFICIAL USE SECTION 1 OF 2 DACCA 2203

E.O. 11652: N/A

TAGS: ENRG BG

SUBJ: INTERESTED PARTY MESSAGE FOR ESSO EASTERN

REF: DACCA 1549

FOR FINLEY, THE FOLLOWING HAS TRANSPIRED SINCE MY ARRIVAL IN DACCA.

I. MINUTE NOTES-MEETING 11 AM MAY 13, 1974, AT RESIDENCE OF MINISTER; HEDAYAT AHMED, SECRETARY; C. B. SEITZ, ESSO, HOUSTON & SRO; G. S. BROWN, ESSO BANGLADESH. THE MEETING WAS ARRANGED AT THE REQUEST OF MR. FULLER, ECONOMIC ATTACHE, US EMBASSY, DACCA, IN RESPONSE TO A REQUEST RECEIVED VIA THE DEPT OF STATE, WASHINGTON.

A. WHEN WE ARRIVED AT THE MINISTER'S OFFICE, WE WERE INFORMED HE WAS INDISPOSED AND WOULD NOT BE IN HIS OFFICE; HOWEVER, HE HAD SENT A MESSAGE HE WOULD LIKE TO KEEP THE APPOINTMENT AND WOULD WE PLEASE COME TO HIS RESIDENCE. CBS OFFERED TO DEFER THE MEETING UNTIL THE FOLLOWING DAY; HOWEVER, THE MINISTER PREFERRED TO MAINTAIN THE SCHEDULE ALREADY SET UP BY THE EMBASSY.

B. WE WERE CORDIALLY RECEIVED WITH THE EXPRESSION "YOU ARE ALWAYS WELCOME, AND IT IS A PLEASURE TO SEE AND TALK WITH YOU". THE MINISTER IS A LIKEABLE PERSON WITH AN OPEN FRIENDLY DISPOSITION. AND AS MENTIONED BEFORE ESSO ENJOYS AN EXCELLENT SUPPORT WITH THE GOB AND THIS CONTACT MINISTRY.

C. THE MINISTER INDICATED HE UNDERSTOOD WHY WE WERE THERE BUT REGRETTED HE AND HIS SECRETARY HAD NOT BEEN ABLE TO DEAL WITH OR

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PROGRESS OUR PROPOSAL. IN UEACTION HE WAS SOMEWHAT HAZY AS TO THE

HOW MATTERS STOOD. THIS IS UNDERSTANDABLE AS THERE HAS BEEN A CHANGE IN SECRETARIES, AND THE NEW INCUMBENT HAD BEEN IN IRAQ AND SAUDI ARABIA FOR THE PAST FIVE WEEKS TRYING TO FIRM UP CRUDE SUPPLY ARRANGEMENTS.

D. CBS THEN SAID HE DIDN'T THINK IT WAS NECESSARY TO REVIEW THE SEQUENCE OF EVENTS AND DEVELOPMENTS; HOWEVER, HE THOUGHT IT WAS DESIRABLE TO REVIEW THE PROPOSAL AND SUPPLEMENT IT WITH FURTHER DATA. CBS WENT THROUGH THE PROPOSALS AND POINTED OUT THE PROS AND CONS OF HDACH PROPOSAL WHICH DO NOT NEED ELABORATION SO FAR AS YOUR UNDERSTANDING IS CONCERNED.

E. THE MINISTER MADE THE STATEMENT: "OFF THE RECORD, I AS AN INDIVIDUAL AND AS A BUSINESSMAN WOULD OPT FOR PROPOSAL NO. 2. (THE IMMEDIATE LUMP SUM PAYMENT OF \$300,000); HOWEVER, THE COUNTRY IS DESPERATELY SHORT OF FOREIGN EXCHANGE AND I DO NOT KNOW HOW THE FINANCE MINISTER WILL REACT".

F. HE THEN INSTRUCTED HEDAYAT AHMED, SECRETARY, TO MAKE IMMEDIATE CONTACT WITH HIS OPPOSITE NUMBERS IN OTHER MINISTRIES, PARTICULARLY FINANCE AND LAW, AND GET BACK TO ESSO AS SOON AS POSSIBLE. CBS POINTED OUT HE WOULD BE IN HOUSTON AND WOULD HAVE TO REPORT ON WHAT HAD OR HAD NOT BEEN ACCOMPLISHED, PARTICULARLY IN VIEW OF THE VERY LIBERAL OFFER MADE BY ESSO. OUR EXPECTATIONS WERE THAT THE GOB WOULD DECL

E WHICH PROPOSAL THEY WOULD PREFER TO DEAL WITH BY MID-JUNE AND AN AGREEMENT FINALIZED BY SEP 30. THE MINISTER AGREED THAT THIS WAS A REASONABLE EXPECTATION; HOWEVER, HE ALSO STATED ALL GOVERNMENTS MOVED SLOWLY EVEN THAT OF THE USA. OUR REJOINER WAS THE 20 MONTHS WHICH HAD ELAPSED SINCE SEP 1972 CERTAINLY SUPPORTED HIS STATEMENT.

G. THE MINISTER AGAIN STATED HE WOULD HAVE PREFERRED ESSO REMAIN IN BANGLADESH BUT UNDERSTOOD OUR REASONS AND HAD NOW TAKEN THE DECISION TO "TAKE OVER ESSO". IT WAS NOW A QUESTION OF DEVELOPING THE WAYS AND MEANS WITH OTHER MINISTRIES.

H. THE MINISTER IN DISCUSSING WAYS AND MEANS IN THE CONTEXT OF STAFF, I.E., TERMINATIONS OR RESIGNATION, DID POINT OUT HE EXPECTED PROBLEMS WITH THE LABOR UNIONS AND THAT PROBABLY ALL ESSO EMPLOYEES WOULD NOT WISH TO JOIN THE GOVERNMENT. (MORE DISCUSSION ON THIS WILL BE RECORDED IN CBS MINUTE NOTES ON MEETING WITH HEDAYAT AHMED.)

I. THE MEETING ENDED ON A CORDIAL AND FRIENDLY NOTE WITH A PROMISE HEDAYAT AHMED WOULD SEE CBS LATER IN THE WEEK. WE CAME LIMITED OFFICIAL USE

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AWAY WITH THE DISTINCT IMPRESSION THAT THE GOB IS NOW GOING TO DEAL WITH OUR PROPOSAL. IT MAY TAKE LONGER THAN SEP 30, 74, BUT ACTION IS BEING TAKEN.

NOTE BY OC/T: NOT PASSED ESSO EAST HOUSTON.

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ACTION NEA-16

INFO OCT-01 ISO-00 EB-11 DRC-01 RSC-01 /030 W

----- 054566

R 170403Z MAY 74

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INFO SECSTATE WASHDC 3067

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II. MEETING 4 PM, MAY 15, 1974. PRESENT WERE HEDAYAT AHMED ANET
C. B. SEITZ.

A. THIS AGAIN WAS A FRIENDLY, FRANK AND CORDIAL MEETING. HA
MADE THE STATEMENT HE HAD NOW READ ALTHOUGH HE HAD NOT STUDIED
IN DEPTH ALL THE IMPLICATIONS OF OUR PROPOSALS; HOWEVER, THEIR
MINISTRY WAS GOING TO RECOMMEND PROPOSAL NO. 2 TO THE FINANCE
MINISTRY. I AGREED THIS WAS A WISE CHOICE.

B. HE AGAIN REITERATED THE GOB DID NOT WISH ESSO TO LEAVE; HOWEVER,

IN VIEW OF OUR REPEATEDLY EXPRESSED VIEWS AND INTENTIONS THE GOB
HAD NOW TAKEN THE DECISION BUT IT WOULD TAKE SOME TIME TO
DEVELOP. HE ALSO REFLECTED OUR EARLIER COMMENT THAT "WE CAME AS
FRIENDS, HAD COOPERATED FREELY WITH GOB, AND THEY THE GOB AGREED
WE SHOULD PART AS FRIENDS."

C. HA COMMENTED OUR RECENT PROPOSAL WAS A RADICAL DEPARTURE FROM
OUR ORIGINAL PROPOSAL, WAS WELCOME AND SHOULD EXPEDITE MATTERS.
CBS RESPONDED IN A SENSE IT WAS AND WAS NOT. WE HAD TO RECOGNIZE
THE REALITIES OF A MARKET SITUATION. ONE OF OUR OBJECTIVES
WAS TO TRY AND MEET THE EXPECTATIONS OF GOVERNMENT IN THE
CONTEXT OF THEIR CAPABILITIES AND OUR OWN OBJECTIVES. THIS
CONSTITUTED A MARKET SITUATION APPLICABLE TO BANGLADESH AS A
SPECIAL CASE.

D. HA THEN POINTED OUT THEY HAD TO EXAMINE THE MODUS OPERANDI BY
WHICH THE "TAKE OVER OF ESSO COULD BE ACCOMPLISHED". CBS
POINTED OUT THEY HAD THE FOLLOWING OPTIONS:

1. PURCHASE/SALE AGREEMENT-THIS WOULD INVOLVE CONSIDERABLE
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DIFFICULTIES WITH STAFF AND OTHER CLAIMENTS.

2. ACQUISITION UNDER THE 1948 ACQUISITION LAW-THIS WOULD NOT REQUIRE ANY SUBSEQUENT PARLIAMENTARY APPROVAL OR REVIEW AND WOULD OBVIATE/PREVENT ANY LAW SUITS OR UNTOWARD UNION ACTIONS.

3. PRESIDENTIAL DECREE-THIS IS EQUIVALENT TO AN ORDINANCE, REQUIRES FULL CABINET REVIEW AND ENDORSEMENT, AND SUBSEQUENT CONFIRMATION BY PARLIAMENT.

4. PARLIAMENTARY BILL-WHILE SUCH A BILL WOULD PASS IF THE PRIME

MINISTER SUPPORTED IT, WE ARE NOT ENTHUSIASTIC ABOUT IT, ALTHOUGH OUR LEGAL ADVISOR CONSIDERS IT TO BE THE BEST COURSE.

5. NATIONALIZATION-HA SAID THIS WAS NOT EVEN A POSSIBILITY, AND CBS AGREED IT WAS UNDESIRABLE.

E. ON BALANCE HA PREFERS ACQUISITION AS THIS CAN BE ACCOMPLISHED WITH MINIMUM OF EFFORT AND CONSULTATIONS WITH OTHER MINISTRIES. THE WHOLE EXERCISE DOES NOT ATTRACT THE SAME PUBLIC ATTENTION AS A PARLIAMENTARY BILL OR PRESIDENTIAL DECREE.

F. HA LABORED THE POINT OF STAFF TERMINATION PAYMENTS. WE POINTED OUT THAT WITH A GIVE-AWAY PRICE, ASSURANCE OF CONTINUED EMPLOYMENT, AND ESSO MAKING FULL FINANCIAL PROVISION FOR PROVCRENT FUNDS AND ESTABLISHING ADEQUATE RESERVES FOR PENSIONS, ANY TERMINATION PAYMENTS WOULD BE FOR THE ACCOUNT OF THE GOVERNMENT AND THIS WAS NOT NEGOTIABLE. HA AGREED IF FORMER ESSO EMPLOYEES ACCEPTED EMPLOYMENT WITH THE GOB OR A GOVERNMENT CONCERN, THEY WERE NOT ENTITLED TO A TERMINATION PAYMENT.

III. CONCLUSION.

A. OUR OBSERVATION IS OUR PROPOSAL WILL NOW MOVE, AND WHILE YOU HAVE GIVEN US ADEQUATE NEGOTIATING AUTHORITY, WOULD LIKE FURTHER DISCUSSIONS WITH YOU.

B. THE MOST DIFFICULT FACTOR IMPEDING THE PROGRESSION OF OUR PROPOSAL IS THE STATE OF THE FOREIGN EXCHANGE RESERVES. THE COUNTRY IS VIRTUALLY BROKE AND WILL HAVE TO SEEK ADDITIONAL ASSISTANCE.. AFTER DISCUSSIONS WITH SEVERAL SOURCES, BANKS, WORLD BANK, EMBASSY AND OTHERS, THIS SITUATION IS NEAR DESPERATE.

C. DUE TO TIME RESTRICTIONS WILL TRY AND FILE AN ADDITIONAL REPORT FROM BANGKOK.

D. CBS WILL BE IN USA JUNE 7 TO 14 AND WILL MAKE HIMSELF AVAILABLE JUNE 10 AFTERNOON UNTIL 13TH AFTERNOON. HE WOULD LIKE TO DISCUSS AND FINALIZE ACTION PLANS.

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1) CEYLON-WITH GENERAL COUNSEL AND F&P.

2) BANGLADESH WITH F&P, COMPTROLLERS, GENERAL COUNSEL, ERD AND PA.

3) CONTACT DIRECTOR AND ERP RE CSB

E. MRS. SEITZ WILL ACCOMPANY CBS. CBS RETURNS BOMBAY JUNE 15.
PLEASE REPLY BOMBAY. SIGNED C. B. SEITZ.
DECONTROL ON RECEIPT.
BOSTER

NOTE BY OC/T: NOT PASSED ESSO EAST HOUSTON.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM INDUSTRY, NATIONALIZATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GarlanWA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA02203
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740122-0109
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740540/aaaabiwe.tel
Line Count: 228
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: DACCA 1549
Review Action: RELEASED, APPROVED
Review Authority: GarlanWA
Review Comment: n/a
Review Content Flags:
Review Date: 12 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Aug-2002 by elyme>; APPROVED <24 FEB 2003 by GarlanWA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTERESTED PARTY MESSAGE FOR ESSO EASTERN
TAGS: ENRG, US, BG, ESSO EASTERN
To: n/a
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005